

## Message Text

UNCLASSIFIED

PAGE 01 FREETO 01181 01 OF 02 121415Z

ACTION EB-08

INFO OCT-01 AF-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06

SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07

CEA-01 AGRE-00 MMO-04 INT-05 DOE-15 SOE-02 /127 W

-----099092 121530Z /47

R 121158Z APR 78

FM AMEMBASSY FREETOWN

TO SECSTATE WASHDC 7482

INFO AMEMBASSY CONAKRY

AMEMBASSY MONROVIA

UNCLAS SECTION 1 OF 2 FREETOWN 1181

EO 11652: NA

TAGS: EINV, SL

SUBJ: UPDATE OF INVESTMENT CLIMATE REPORT

REF: STATE 77432

1. RECENTLY SIERRA LEONE HAS TAKEN POSITIVE STEPS TOWARD IMPROVING ITS COMMERCIAL POTENTIAL. THESE MEASURES INCLUDE THE FORMATION OF A CUSTOMS UNION WITH LIBERIA -- THE MANO RIVER UNION -- AND MEMBERSHIP IN THE ECONOMIC COMMUNITY OF WEST AFRICAN STATES -- ECOWAS. ALSO DESIGNED TO ENHANCE COMMERCE IS A NEW GOVERNMENT EMPHASIS ON THE DEVELOPMENT OF THE NATION'S VALUABLE AGRICULTURAL RESOURCES. REORGANIZATION OF THE PORTS AUTHORITY, AND CONTINUED UPGRADING OF ITS INTERNAL TRANSPORT AND TOURISM FACILITIES. NEVERTHELESS, TWO MAJOR CONSTRAINTS TO INCREASED TRADE AND INVESTMENT ARE:

A) THE WEAKNESS OF THE ECONOMY DUE TO OVER EXPENDITURES, AND

B) LACK OF POSITIVE GOVERNMENT POLICY DIRECTED TOWARD THE ENCOURAGEMENT OF INTERNATIONAL INVESTMENT.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 FREETO 01181 01 OF 02 121415Z

2. DURING THE 1970'S SIERRA LEONE HAS EXPERIENCED SLOW RATES OF GROWTH DUE TO THE DECLINE OF THE MINING SECTOR AND THE CONSEQUENT EROSION OF ITS EXPORT BASE. A RELATIVELY HIGH LEVEL OF EXPENDITURE HAS DEPLETED REVENUES PROVIDED BY INCREASED EARNINGS FROM AGRICULTURAL PRODUCTION. IN CONSEQUENCE THE OVERALL GROWTH RATE OF REAL GDP HAS BEEN LESS THAN THE ESTIMATED POPULATION GROWTH RATE.

3. DESPITE SIERRA LEONE'S EXTERNAL DEBT THE GOVERNMENT HAS GENERALLY OPPOSED THE IMPOSITION OF EXTERNAL TRADE AND PAYMENTS RESTRICTIONS. SOME HAVE BEEN INTRODUCED IN RECENT YEARS, HOWEVER, REQUIRING SPECIFIC IMPORT LICENSES FOR FOOD PRODUCTS AND MANUFACTURED ITEMS. IN ADDITION, APPROVAL OF THE BANK OF SIERRA LEONE IS NECESSARY FOR EXCHANGE TRANSACTIONS EXCEEDING U.S. DOLS500. INDICATIVE OF LIBERAL ADMINISTRATION OF THESE REGULATIONS IS A MARKED INCREASE IN THE TOTAL IMPORT BILL AND THE AVAILABILITY OF MOST IMPORTED ARTICLES LOCALLY.

4. WHILE INFLATION HAS BEEN KEPT UNDER CONTROL, INFLATIONARY PRESSURE IS SEVERE AND THE IMPOSITION OF MORE RESTRICTIVE EXCHANGE AND IMPORT LEGISLATION WOULD CAUSE SHORTAGES AND STEPPED UP INCREASES IN THE COST OF LIVING. BUSINESSMEN DEALING WITH SIERRA LEONE SHOULD BE AWARE OF THE FACT THAT THE NATION HAS LARGE OUTSTANDING OBLIGATIONS AND IS IN ARREARS ON ITS INTERNATIONAL DEBT. CONSIDERING THE HIGH LEVEL OF GOVERNMENT SPENDING AND LIBERAL ADMINISTRATION OF TRADE AND PAYMENTS POLICY, THE ECONOMIC PROGNOSIS IS FOR CONTINUED DETERIORATION OF THE NATION'S ECONOMY, LIKELY DEFAULT ON OUTSTANDING OBLIGATIONS, SEVERE INFLATION AND DEVALUATION.

5. THE NATIONAL DEVELOPMENT PLAN PLACES CONSIDERABLE RELIANCE UPON THE PARTICIPATION OF FOREIGN INVESTMENT IN THE NATION  
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 FREETO 01181 01 OF 02 121415Z

BUILDING PROCESS. FOREIGN CAPITAL IS ACKNOWLEDGED AS CENTRAL TO THE GROWTH OF AGRICULTURAL PRODUCTION, MINING CAPACITY, TOURISM, TRANSPORTATION AND COMMUNICATIONS. HOWEVER, AS THE PLAN'S PROPOSED NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION, THE NUCLEUS FOR STIMULATING INDUSTRIAL GROWTH, WAS NEVER ESTABLISHED, THE NATION LACKS A COORDINATED APPROACH TO INTERNATIONAL AND NATIONAL INVESTMENT. THIS COMBINED WITH HIGHER CORPORATE AND PERSONAL TAXES IN SIERRA LEONE THAN LIBERIA -- FISCAL HARMONIZATION NOT HAVING BEEN ATTEMPTED BY THE MANO RIVER UNION -- TENDS TO DISCOURAGE DIRECT FOREIGN INVESTMENT IN SIERRA LEONE.

6. DIREST U.S. INVESTMENT IN SIERRA LEONE AMOUNTS TO ABOUT U.S. DOLS35 MILLION; THIRTY MILLION REPRESENTED BY A BETHLEHEM STEEL/NORD RESOURCES AND GOVERNMENT OF SIERRA LEONE RUTILE MINING OPERATION. OTHER AMERICAN INVESMENTS IN THE MINING SECTOR INCLUDE PETROLEUM REFINING AND DIAMOND EXPLORATION, PURCHASING, AND POLISHING. THE MINING SECTOR'S DECREASING IMPORTANCE, HOWEVER, HAS PROMPTED THE GRADUAL SHIFTING OF NATIONAL EMPHASIS FROM THIS SECTOR TO AGRICULTURE. DIAMONDS WHICH FORMERLY SUPPLIED 65 PERCENT OF FOREIGN CURRENCY EARNINGS NOW PROVIDE ABOUT ABOUT 45 PERCENT, A DECLINE THAT IS

EXPECTED TO CONTINUE IN COMING YEARS.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 FREETO 01181 02 OF 02 121439Z  
ACTION EB-08

INFO OCT-01 AF-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-01  
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06  
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07  
CEA-01 AGRE-00 MMO-04 INT-05 DOE-15 SOE-02 /127 W  
-----099450 121529Z /47

R 121158Z APR 78  
FM AMEMBASSY FREETOWN  
TO SECSTATE WASHDC 7483  
INFO AMEMBASSY CONAKRY  
AMEMBASSY MONROVIA

UNCLAS SECTION 2 OF 2 FREETOWN 1181

7. AN ADDITIONAL CONSTRAINT TO U.S. INVESTMENT IS THE GOVERNMENT POLICY OF ACQUIRING MAJORITY OWNERSHIP OF ALL NEW MINING VENTURES. THE GOVERNMENT IS, HOWEVER, WILLING TO NEGOTIATE THE REDUCTION OF IMPORT DUTIES ON PRODUCTION INPUTS AND TO GIVE TAX HOLIDAYS FOR NEWLY ESTABLISHED FIRMS. KNOWN MINERAL RESOURCES INCLUDE BAUXITE, IRON ORE, CHROMITE, DIAMONDS AND RUTILE.

8. SIGNIFICANT POTENTIAL FOR DEVELOPMENT LIES IN THE AGRICULTURAL SECTOR. ALTHOUGH APPROXIMATELY 75 PERCENT OF SIERRA LEONE'S PEOPLE DERIVE THEIR LIVELIHOOD FROM AGRICULTURE, THE SECTOR ACCOUNTS FOR ONLY 30 PERCENT OF NATIONAL INCOME. WITH RECENT INCREASES IN WORLD PRICES OF COFFEE AND COCOA, EXPORTS OF AGRICULTURAL PRODUCTS HAVE BEGUN TO REPLACE MINERALS AS THE LEADING SOURCE OF FOREIGN EXCHANGE. INTERNATIONAL DONORS, INCLUDING USAID, ARE CONCENTRATING THEIR EFFORTS ON UPGRADING THE SKILLS OF THE SMALL FARMER AND IMPROVING THE QUALITY AND QUANTITY OF FOOD PRODUCTION. THE GOVERNMENT AND WORLD BANK (IDA) ARE EMPHASIZING PRODUCTION OF EXPORT CROPS AND PLANTATION AGRICULTURE.

9. OPPORTUNITIES FOR THE U.S. INVESTOR EXIST IN THE ESTAB-  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 FREETO 01181 02 OF 02 121439Z

LISHMENT OF PROCESSING INDUSTRIES AND PRODUCTION. IT SHOULD BE NOTED, HOWEVER, THAT DIFFICULTIES IN MARKETING, DISTRIBUTION AND TRANSPORTATION CAN BE MORE EASILY RESOLVED IF INVESTMENT IS MADE IN COOPERATION WITH GOVERNMENT INSTITUTIONS AND NATIONAL PRIORITIES. AT PRESENT THERE IS NO PRIVATE AMERICAN INVESTMENT IN AGRICULTURE.

10. INVESTMENT IN THE SERVICE AND INDUSTRIAL SECTOR HAS BEEN STAGNANT, BUT THE RECENT COMPLETION OF A NEW HOTEL AND CONFERENCE CENTER ADDED TO THE COUNTRY'S EXISTING BEAUTIFUL BEACHES OFFERS OPPORTUNITIES FOR TRADE AND MODEST INVESTMENT IN TOURISM AND RELATED SERVICES. IN ADDITION, THE REORGANIZATION OF THE INEFFICIENT AND DISHONEST PORTS AUTHORITY BY A NEW INTERNATIONAL COMPANY IS BEGINNING TO ELIMINATE THIS OBSTACLE TO TRADE. INFRA-STRUCTURE PROJECTS ARE PRIMARILY FINANCED AND BUILT BY EUROPEAN GOVERNMENTS AND CONTRACTORS; BUT, SALES POSSIBILITIES FOR EQUIPMENT ARE AVAILABLE. SMALL SCALE INVESTMENT IN IMPORT SUBSTITUTION INDUSTRIES WITH POTENTIAL FOR EXPORT EXPANSION TO NEIGHBORING LIBERIA COULD BECOME PROFITABLE INVESTMENTS. TRADE OPPORTUNITIES FOR AGGRESSIVE FIRMS EXIST FOR SALES OF MANUFACTURED GOODS, FOOD STUFFS, CHEMICALS AND MACHINERY.  
LINEHAN

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INVESTMENT CLIMATE  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 12 apr 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 jan 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978FREETO01181  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780157-0609  
**Format:** TEL  
**From:** FREETOWN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780467/aaaacekk.tel  
**Line Count:** 195  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** f939d0b1-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 STATE 77432  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 29 mar 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2997415  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** UPDATE OF INVESTMENT CLIMATE REPORT  
**TAGS:** EINV, SL  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odhc://SAS/SAS.dbo.SAS\_Docs/f939d0b1-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014